GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4978
ANSWERED ON:31.03.2017
Credit to Industrial Sector
Singh Shri Hukum

Will the Minister of FINANCE be pleased to state:

(a) whether the bank credit to the industrial sector has started shrinking and if so, the details thereof during the last one year and current year and the reasons therefor;

(b) whether credit growth is essential to revive investment and if so, the details thereof;

(c) whether the inability of banks to lend to industry appears to have pushed them to lend more to retail consumers; and

(d) if so, the details thereof and the corrective steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) to (d): Reserve Bank of India (RBI) has informed that the Outstanding Advances to Industry sector reported by Scheduled Commercial Banks (SCBs) at the end of FY 2015-16 stood at Rs 29,98,424 crores while the same reported by SCBs at the end of Dec-2016 stood at Rs 29,63,991 crores. Lower credit growth could be possibly on account of rebalancing of portfolio in the wake of increasing impairments leading to higher credit costs including provisions, stress in certain sectors etc.
The management of loan sanctioning / recovery activity, in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies. Banks have been advised to prepare a well-defined loan policy approved by their Board of Directors subject to regulatory guidelines issued by RBI. Banks have to consider different loan proposals based on their commercial judgment and merits of each case keeping in view the loan policies approved by their Board of Directors.

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